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# CITIZENS UTILITIES

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December 15, 1993

Mr. William F. Caton  
Assistant Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

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DEC 16 1993

FCC-MAIL

Re: **RM No. 8388**

Dear Mr. Caton:

Enclosed for filing are an original and nine (9) copies of the Comments of Citizens Utilities Company **In the Matter of Inquiry into Policies and Programs to Assure Universal Telephone Service in a Competitive Market Environment.**

Please provide a stamped-in copy in the enclosed prepaid postage envelope.

Very truly yours,

*Ellen S. Deutsch /HKK*

Ellen S. Deutsch  
Senior Counsel

ESD:tb

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of )  
 )  
Inquiry into Policies and Programs to )  
Assure Universal Telephone Service in a )  
Competitive Market Environment )

DEC 10 1993  
FCC RM No. 8388

To: the Commission

**COMMENTS OF CITIZENS UTILITIES COMPANY**

Citizens Utilities Company ("Citizens"), by its attorneys and pursuant to Section 1.405 of the Commission's Rules, 47 C.F.R. 1.405, hereby submits its Comments in response to the above captioned Petition of MFS Communications Company, Inc. ("MFS") For a Notice of Inquiry and En Banc Hearing.<sup>1</sup>

**I. STATEMENT OF INTEREST**

Citizens is a local exchange carrier currently providing service to approximately 150,000 access lines in rural and suburban areas in Arizona, California and Pennsylvania. Citizens is in the process of acquiring from GTE Corporation approximately 500,000 access lines located primarily in rural areas in nine states. Citizens is committed to providing high quality, technically sophisticated service to its present and new customers.

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<sup>1</sup> Public Notice, Report No. 1986, released November 16, 1993.

## **II. MFS PETITION**

On November 1, 1993, MFS filed a petition proposing that the Commission's universal service policies and funding mechanisms be restructured to reflect the increasingly competitive telecommunications market. MFS asked the Commission to issue a Notice of Inquiry on an expedited basis and hold an en banc hearing to consider issues, including the establishment of an independent entity that would administer universal service subsidies directly to consumers rather than to telephone companies ("telcos") that serve high-cost areas.

## **III. DISCUSSION**

Citizens generally supports the Commission initiating an inquiry regarding universal service issues. As a telco that serves many customers in rural and high-cost areas, Citizens has extensive first-hand experience with universal service concerns and would look forward to sharing its insights in a proceeding aimed at improving universal service programs.

Citizens believes, however, that the Commission should be cautious in its formulation of issues to be considered in an inquiry on universal service. The Commission must not abandon or substantially modify existing policies and practices that further the directive in the Communications Act of 1934 to promote provision of telecommunications services on a universal basis. The Act directs the Commission to regulate wire and radio "so as to make available, as far as possible, to all the people of the United States a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities

at reasonable charges . . ." 47 U.S.C. 151.

The Commission should initiate a truly objective inquiry that asks unbiased questions about how the universal service system currently is working and how it might be improved, and not embrace the drastic changes proposed by MFS. In doing so, the Commission should be mindful that the interstate Universal Service Fund ("USF") was created based on an extensive record and careful consideration of universal service issues at the time of the AT&T divestiture. Since then, as the interexchange market has become more and more competitive, the USF and related mechanisms have achieved great success in maintaining and increasing telephone penetration levels for basic service.

Citizens recognizes that increased competition in the local exchange telecommunications market may warrant some modifications to the universal service system. In particular, Citizens agrees with MFS that all competitors should contribute financial support to universal service programs. All service providers should share the obligation to ensure that all citizens have access to at least basic telephone service at affordable rates. Apart from this point, however, Citizens believes that many of the proposals MFS discusses in its petition do not have sufficient support and have not been thought through adequately. While perhaps appealing in the abstract, proposals such as paying subsidies directly to consumers ignore the practical realities of actually extending a telecommunications infrastructure to serve remote and high-cost areas.

Citizens is particularly concerned that MFS's proposed changes, if ultimately adopted, would create uncertainty as to whether a LEC would

get assistance for expenses to serve customers in high-cost areas. The planning cycle for bringing service to new communities and for upgrading existing service occurs several years in advance of customers actually receiving service. If there is no way of knowing in advance what entity will be providing service in a community, there is no way of guaranteeing that service will, in fact, be available in these communities. A LEC that is not sure it will receive any assistance from universal service programs may decide against extending service to high-cost areas. As a result, universal service goals would be undermined. Such practical considerations are totally absent from MFS's abstract discussion of universal service issues.

While MFS asserts that it would be willing to provide service to rural and remote areas such as those served by Citizens, this unsubstantiated statement belies the past 100 years of experience in the development of telephony. It is doubtful that MFS and other competitive service providers, which historically have served primarily more lucrative urban markets, will move quickly to provide new services to rural and remote areas. Urban markets always have developed before rural markets. The Bell System grew by developing the urban markets. It was not until the independent telcos and cooperatives began extending service to the rural and remote areas of the country that universal service began to become a reality. The certainty that USF funds would be available has enabled the independent telcos to continue extending service in high-cost areas.

It is easy for MFS to make grandiose statements about its willingness to provide service to all customers, but is MFS really

willing to take on the basic common carrier obligation to provide service to any and all customers upon request? If the Commission initiates an inquiry on universal service, it must seriously evaluate what types of carriers actually will provide service in remote and rural areas. Changes to the procedures of administering USF funds will be futile if they result in no companies willing to serve high-cost areas.

As this proceeding moves forward, the overriding goal of the Commission must be to ensure that its USF policies and programs continue to achieve the mandate of the Communications Act that telephone service at affordable rates be universally available.

#### IV. CONCLUSION

Citizens supports the Commission initiating an inquiry into universal service issues and looks forward to submitting complete substantive comments at such time after the Commission issues a notice. Citizens urges the Commission, when it formulates issues for an inquiry, to be mindful of the history of service provision in rural and high-cost areas and of the practical considerations of bringing service to such areas. Moreover, the Commission should be cautious in proposing drastic changes to programs that have helped achieve the high levels of telephone penetration that exist today.

Respectfully submitted,



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